

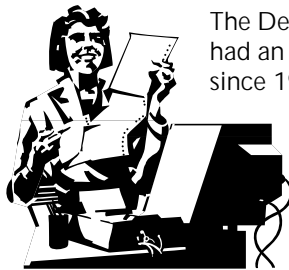


CALIFORNIA EMPLOYER

Second Quarter 1996

EDD expands the information available on its Internet site *Tax forms and the "California Employer" are now on-line*

With more people every day accessing the worldwide web of information and services on the Internet, the Employment Development Department (EDD) is working to take full advantage of this convenient avenue of communication.



The Department has had an Internet site since 1995, in

accordance with Governor Pete Wilson's request that state agen-

cies provide government information on the Internet for easy public access. Since its inception, EDD's site has continually been updated and expanded to make it more useful for employers and the public.

Currently, you will find a variety of information on EDD's services and programs, including Employment Tax Information, Job Service, Unemployment and Disability Insurance, and Labor Market Information. There are also listings to help you quickly find the location and telephone number of the nearest EDD office.

With the latest addition to our site, you now can access and print out various employment tax forms. While more forms are in the process of being added, some of the forms available now include: the *Registration Form for Commercial Employers* (DE 1); the *Quarterly Wage Report* (DE 6); the *Annual Reconciliation Return* (DE 7, which includes the *Request for Change* form); the *Report of New Employees* (DE 34); and the *Report of Contributions* (DE 88 ALL).

The forms are part of the employment tax section, and can be downloaded, viewed and printed using software that is available free of charge on the Internet. After you print out these forms, they can be completed and sent to EDD just as you would the standard forms that you receive from the Department.

The *California Employer* newsletter is another new addition to EDD's Internet site. You can now view and print out a copy of this newsletter from your computer.

EDD'S INTERNET ADDRESS:

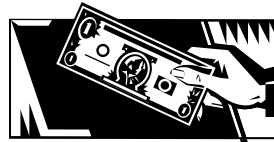
<http://www.edd.cahwnet.gov/>

In the near future, additional employment tax forms and publications will be made available on-line for easy access.

If you have questions concerning the tax forms on the Internet, please contact the Tax Branch Internet Administrator at (916) 654-8154.

Employers can recover wage attachment costs

Did you know that you may recover some of the costs of processing wage attachments when assisting the state Department of Social Services and California's district attorneys in the enforcement of court-ordered child support?



Employers may deduct and retain the sum of one dollar (\$1) from the earnings of the employee for each payment made

pursuant to a Wage and Earnings Assignment Order for support. This one dollar fee is in addition to the amount ordered to be withheld on the Wage and Earnings Assignment Order.

If you have questions about child support wage attachments, please call the state Department of Social Services, Office of Child Support, at (916) 654-1273.

New hotline to report UI/DI benefit fraud in Southern California

To help protect the integrity of the Unemployment Insurance (UI) and Disability Insurance (DI) funds, EDD now has a pilot hotline in Southern California to report tips on benefit fraud.

As part of a pilot fraud prevention project being conducted by EDD's

Investigation Division, this hotline will be monitored with the objective of establishing additional hotlines to report fraud in other areas of California.

If you have information on possible UI or DI benefit fraud, please call:

1-800-229-6297

Employers may be relieved of UI benefit charges if employee quits for a better job

Two pieces of legislation that took effect on January 1, 1996, may relieve an employer of benefit charges for an unemployment insurance (UI) claimant who quits a job to take substantially better employment.



The two laws (Senate Bill 1157 and Assembly Bill 1821) modified the California Unemployment Insurance Code to restrict the charging of UI benefits to an employer's reserve account in this instance. When an employer's account is relieved of these

charges, they are then prorated among all other experience rated employers.

This provision applies to rulings and determination rulings *issued by EDD on or after January 1, 1996*. Prorating costs could reduce the contribution rates of employers with high employee turnover, and could lower their contribution rate for UI taxes.

Responding to a notice of claim filed

To be relieved of charges, you must respond to the notice from EDD that a claim has been filed (either the *Notice of Unemployment Insurance Claim Filed*,

DE 1101CZ, or the *Notice of Wages Used for Unemployment Insurance*, DE 1545).

When responding, you should provide EDD with the name of the employee's next employer. If this information cannot be obtained from the employee, then you should indicate that on the notice prior to mailing it to EDD.

If this information is not included, then an EDD representative will call you regarding its availability. As before, it remains your responsibility to provide all available facts to the Department regarding separations.

Correctly reporting compensation as a sub-chapter S corporation

Sub-chapter S corporations are becoming increasingly popular due to their income tax advantages for small, closely held businesses. However, for California employment tax purposes, compensation taken by officers of a sub-chapter S corporation is treated no differently than that of a regular C corporation.

Under the California Unemployment Insurance Code (CUIC), Section 621(a) defines any officer of a corporation as an

employee. No distinctions are drawn between C corporations and S corporations. Frequently, EDD auditors have found situations where S corporate officers perform services and receive compensation that is classified as dividends, and no officers' salaries are being reported.

Employers should be aware that where the officers perform services and receive compensation, any compensation for

services as an officer must be reported as wages. Classifying all payments as dividends is not correct and may result in all or a portion of the payments being reclassified as wages.

Additional information concerning sub-chapter S corporations may be obtained by contacting your nearest Employment Tax Customer Service Office and requesting Employment Tax Ruling (ETR) 90-2.

Running short on time? Check out the benefits of EFT

Are you one of the many employers who have discovered the convenience of electronic funds transfer (EFT)?

If not, you are missing out on the simple, automated way to remit your Disability Insurance and Personal Income Tax payroll withholding taxes, as well as your Unemployment Insurance and Employment Training Tax contributions.

Employers who use EFT have found that it reduces paperwork and saves time, thus helping to cut their overhead costs.

Currently, thousands of employers are reaping the benefits of this Easy, Fast, and Trouble-free method of remitting their taxes. Did you know that:

- EFT payments can be made simply by using the telephone or a personal computer with modem.
- Transactions can be completed in less than one minute.
- Because coupon information is transmitted by EFT, you no longer need to file a paper DE 88.



**Electronic
Funds
Transfer**

- Your EFT payments will never get lost in the mail.

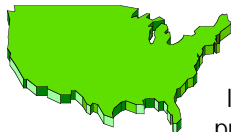
For additional information about participating in the EFT program, please call (916) 654-9130, or write to:

EDD
EFT Unit - MIC 25
P.O. Box 826880
Sacramento, CA 94280-0001

Nonresident pension income is no longer subject to California state tax

Due to the passage of a new federal law (HR 394) that became effective January 1, 1996, retirement income paid to nonresident individuals after December 31, 1995, is excluded from California state withholding taxes.

If you have withheld California Personal Income Tax (PIT) from any 1996 retirement payments to nonresidents, the tax should be refunded to the retirees. You may take a credit on your next quarterly *Report of Contributions* (DE 88), or you



may request a refund of the overpaid PIT by submitting a *Quarterly Adjustment Form* (DE 938) after you have refunded the PIT withheld to the retiree.

Pension payers will receive a letter from EDD detailing the provisions of this new law along with instructions on how to correct withholding errors. If you have further questions, please call (916) 654-7602. Or write: EDD Contribution Adjustment Section - MIC 3A, P.O. Box 826215, Sacramento, CA 94230-6215.

Semiannual interest rate stays at 9 percent

The semiannual interest rate for the period July 1 through December 31, 1996, for delinquent contributions and taxes will be nine percent (.09) compounded daily. The daily interest factor will be .000246.

If you have any questions regarding this rate, please contact your local Employment Tax Customer Service Office. Check the *California Employer's Guide* (DE 44) or the State Government section of your telephone directory for the listing.

Self-employed or a business owner? DI Elective Coverage is for you

If you are self-employed or a business owner, you should be aware that you are exempt from the State Disability Insurance program. And, that is why California offers a Disability Insurance Elective Coverage (DIEC) program for individuals like you.

This program provides a safety net to those small business owners, entrepreneurs, or self-employed individuals who make up a large portion of the companies doing business in California.

In order to qualify for benefits, an individual must choose and apply for coverage, and must pay quarterly

premiums prior to becoming disabled. Recent changes to the program make it affordable. DIEC offers you:

- A waiting period of only seven days.
- No disqualification or higher premium based on age, occupation, or previous health history.
- Protection whether or not an injury or illness is work-related.
- Benefits for a pregnancy-related disability.
- A maximum of 39 payable weeks.

- Premiums may be waived during periods of disability.

Don't let a temporary disability destroy your financial security. The time to consider coverage is now, before you become disabled.



For more information about the state DIEC program, please call (916) 654-8203, or contact your local EDD Disability Insurance or Employment Tax Customer Service Office.

It's time to toss out those outdated DI claim forms

Here's a reminder for employers who provide the Disability Insurance claim form (DE 2501) to their employees who become non-industrially disabled: please make sure that you have current copies of the form on hand.

To find out if you have the current version of the claim form, check the reverse side of the Doctor's Certification in the lower left corner. The revision number (or Rev.) should read 60 or above.

Revisions prior to Rev. 60 do not ask for all the information necessary to process a claim. The use of outdated forms also creates problems in the processing of the

disability claim and sometimes causes delays in issuing checks. To order a supply of the current form, please call the number (listed below) nearest you.

**TO ORDER
CURRENT
DI CLAIM
FORMS,
PLEASE
CALL:**

- Northern California/Sacramento (916) 327-1234
- San Francisco Bay Area (415) 929-5749
- North Los Angeles County/Woodland Hills . . (818) 596-4320
- Los Angeles (213) 580-3075
- Long Beach/Santa Ana (310) 599-8859
- San Bernardino/Riverside (909) 320-2120
- San Diego (619) 689-6739

Could you be the employer of a salesperson?

Many employers who hire salespersons in their businesses today often consider them to be independent contractors. What the business owner may not know is that salespersons could actually be their employees and not independent contractors.

As a general rule, employer-employee determinations are made in accordance with the common law rules of employment. The primary factor is whether the person hiring a worker has the right to direct and control the way in which the services are performed. In most cases, salespersons working in a retail establishment are employees.

The California Unemployment Insurance Appeals Board (CUIAB) has provided guidelines for determining whether the right to control exists with regard to an outside salesperson. In its Precedent Tax Decision P-T-346, the CUIAB has said that a salesperson is an *employee* when working under the following circumstances:

- The salesperson:
 - received training.
 - was assigned quotas.
 - was required to follow leads.
 - furnished reports.
 - attended sales meetings.
 - was given expense allowances or a guaranteed salary.
 - performed services of a continuous nature.
 - provided services that were a direct and essential part of the business operation.



However, the CUIAB has said that salespersons are usually *independent* when working as follows:

- The salesperson:
 - paid his/her own expenses.
 - established his/her own hours of work and itineraries of travel.
 - was not required to attend sales meetings or to make reports.

- received direction from the principal that consisted only of establishing selling prices, terms, and conditions of the sale, approval of credit, and furnishing samples, literature, or order blanks.

Bear in mind that agent or commission drivers, and traveling or city salespersons are employees by law when operating under specific conditions, even though the common law test may favor independence.

To help businesses determine whether their salespersons are employees or independent contractors, EDD has published an information sheet (form DE 231N) that addresses the services of salespersons.

Business owners also have the option of requesting a formal ruling from EDD on the status of their salespersons. To request either an employment ruling or an information sheet, please contact your nearest Employment Tax Customer Service Office.

Employment Tax Information

General Information or Requests for Tax Forms (25 copies or less)	Contact your nearest Employment Tax Customer Service Office
Electronic Funds Transfer	(916) 654-9130
Forms Request (more than 25 copies)	(916) 322-2835
Magnetic Media Reporting	(916) 654-6845
Alternate Forms Coordinator	(916) 654-9814
New Employee Registry	(916) 657-0529

Offers in Compromise	(916) 464-2761
Registration for an Employer State ID	(916) 654-7041
Tax Rates and Benefit Charge Information	(916) 322-0507
Underground Economy Operations Center	(916) 464-1075 Extension 299
Employment Tax Problem Resolution Office	(916) 654-8957
EDD's Internet Address:	http://www.edd.cahwnet.gov/

California Employer

This newsletter is published quarterly by California's Employment Development Department of the State Health and Welfare Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD, as a recipient of federal and state funds, is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act (ADA). To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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 Agency Secretary: Sandra R. Smoley, R.N.
 EDD Director: Victoria L. Bradshaw
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